AGRICULTURAL EQUIPMENT

Industry Sector Analysis [ISA]

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Regions: **ANESA**; **Africa**; **Southern Africa**; **AFDB**
Country: **South Africa**

Industry: **Agribusiness**
Sector: **Agricultural Machinery & Equipment**

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Summary

The South African agricultural equipment market is estimated at approximately R1.2 billion ($171million). About 80% of the equipment is imported and this mainly represents high-end technology items.

Tractor sales constitute the bulk (60%) of the total agricultural equipment market. The current year has seen an 11% increase on the total tractor sales compared to 1999. Baler sales increased by 17%, whilst combine harvesters sales decreased by 13,5%.

The overall market sales have decreased due to poor climatic conditions of the last three years. Analysts have predicted better prospects for market recovery and improved equipment sales subject to improved climatic conditions during the past year.

The unresolved issues on Government land distribution and the effect of the Zimbabwe land crisis has also impacted negatively on capital expenditure patterns. The South African Government has, however, condemned the Zimbabwean-type cessation of land and has emphasized that in South Africa, land restitution will occur within the context of the law. This declaration by government, is expected to have a positive impact on the procurement of farming capital goods.

Some major US corporations are well entrenched in the South African market, with the UK, Italy and Germany as third country competitors. The US mainly supplies high technology equipment, which is not manufactured locally. There are no import duties levied on items that are not manufactured locally; but an average of 15% duty is charged on imports that compete with in-country manufactured goods.

Analysts expect an increase of 20 to 25% in tractor sales for the calendar year 2000.

Market Overview

Agricultural contribution to the GDP for 1999 was recorded at just under 4% of the total GDP including agriculture, forestry and fisheries. Although this seems insignificant, the agricultural sector is one of the most important contributors to the South African economy. It provides employment to approximately 900,000 people and is also an indirect source of income for a further 4 million.

South Africa is not richly endowed in natural resources and only 12% of the land area are arable. Only 8.68% (10 607 000 ha) of the total area is cultivated, with a further 58.43% consisting of natural pastures. The use of this agricultural land ranges from crop production and mixed farming in winter rainfall and high summer rainfall years, to cattle ranching in the bushveld and sheep farming in arid areas.

Maize is cultivated over nearly half of the arable land surface, and forms the backbone of the country's agricultural industry. Wheat, grain sorghum, groundnuts, sunflower seed, sugar cane, tobacco, hay and cotton, together with maize, are the most important field crops, while wine grapes, deciduous fruit, citrus, sub tropical fruit and vegetables are the main horticultural products.

The 83 million hectares of uncultivated natural pastures are devoted to small stock farming, cattle ranching and mixed farming. Poultry meat production is the second most important meat commodity next to beef. Dairy farming covers the whole of South Africa with the main concentration in the Vaal Triangle.

There are 75,000 farms in the country with the level of mechanization rising from 6000 tractors in 1937 to 82 000 in 1999 (tractors 20 years old and younger). Depending on good summer rains, the South African Agricultural Machinery Association predicts favorable future prospects for the sales of hay machinery. Although accurate indications of the status of summer crops is not yet available, early signs are that the “average” summer crop harvest can be expected, which should result in improved combine harvester sales.

Market Trends

The total sales for the agricultural equipment market over the past 4 quarters amounts to R1.2 billion ($171million), which shows a decline from R2.0 billion ($286million) during the previous 4 quarters.

Tractor sales represent between 55 to 60% of the total market.

Agricultural Equipment Market % Segmentation

Equipment Percentage Share
Tractors 58.9
Hay and silage equipment 11.6
Harvesting equipment 9.1
Planting, fertilizing, pest control equipment 7.8
Tillage equipment 4.5
Other 8.2
100%

Historical Perspective

Table 1: Tractor Sales: Total Market – By Year – 1979 to 1999

Year Units Sold
1979 10 000
1980 18 000
1981 25 000

1982	10 000
1983	7 000
1984	6 800
1985	6 000
1986	2 800
1987	2 900
1988	3 900
1989	3 900
1990	2 600
1991	2 300
1992	1 600
1993	2 400
1994	2 900
1995	2 800
1996	2 600
1997	3 800
1998	2 600
1999	1 700

Table 2: Baler Sales: Total Market – By Year – Since 1979 to 1999

Year	Units Sold
1979	11 500
1980	15 000
1981	1 750
1982	1 600
1983	2 100
1984	1 700
1985	700
1986	750
1987	700
1988	800
1989	900
1990	550
1991	600
1992	450
1993	550
1994	500
1995	550
1996	500
1997	400
1998	250
1999	130

Table 3: Combine Harvester: Total Market – By Year – Since 1979 to 1999

Year	Units Sold
1979	400
1980	580
1981	1 200
1982	950
1983	550
1984	560
1985	400
1986	350
1987	210
1988	380
1989	360
1990	180
1991	90
1992	80

1993 150
1994 220
1995 200
1996 350
1997 220
1998 180
1999 96

Current Perspective

August 2000: TRACTOR, COMBINE HARVESTER and BALER SALES

Month Year –to-date
August % Change August % Change
2000 1999 2000 1999
Tractors 211 250 -15.6 1917 1724 11.2
Combines 4 10 -60.0 83 96 -13.5
Balers 11 9 22.2 151 129 17.1

August tractor sales of 211 units represent an almost 16% decline on the 250 units sold in August last year. On a year-to-date basis, however, sales show an increase of 11% compared to sales during the corresponding period last year. Combine harvester sales for August were sharply down on last year and are almost 14% less on a year-to-date basis. Year-to-date baler sales are 17% up on last year.

Some of the negative factors, which started influencing the market a few months ago have taken hold and are now affecting the market adversely. Amongst these is the large maize crop, now estimated to be more than 10 million tons, the lower crop quality and the resultant lower prices being paid for the harvest. Added to this are higher input costs, especially in terms of the continuously rising price of diesel. Financial institutions too, are having their effect on sales, by applying more stringent demands on the financing of new equipment purchases by farmers.

The key to an improvement in the fortunes of the agricultural machinery industry, and indeed of farmers about to plant their summer crops, is for them to heed the call by Grain South Africa to restrict the area that will be planted to maize. This, together with good rains in the summer cropping areas could lead to more stable crop prices and a reversal in the current downward trend in tractor sales.

Import Market

The value of imported equipment is estimated at 80% (R960 million - $137million) and the remaining 20% is manufactured locally.

The imported equipment represent the high-end technology equipment (which because of low sales volumes is not feasible for local manufacture), whilst the local manufactured equipment would refer to lower technology items or such equipment designed for local conditions.

The origin for imported equipment is worldwide with strong representation from the USA and west Europe.

Competition

The major manufacturers and importers of agricultural equipment are represented in a national body namely the South African Agricultural Machinery Association (SAAMA), with its national head quarters based in Johannesburg.

SAAMA
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1610
Republic of South Africa
Webpage: www.saama.co.za
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The role of the Association:
Acts on common matters which affect all member's interests
Liaise with:
- Public authorities
- Organised agricultural associations
- Department of Trade an Industry
- Department of Customs and Excise
- Atlantis Diesel Engines

Discusses all matters which affect the agricultural machinery industry.
Canvasses new members who are involved in agriculture related manufacturing or distribution.
Promotes and coordinates the collection and processing of agricultural machinery statistics.
Strives to eliminate external factors which have an effect on the price of agricultural machinery.
Promotes the agricultural machinery industry.
Collects and distributes information amongst members.
Co-ordinates common actions.
Liaises with the media to further the objectives of SAAMA and its activities.
Acts on behalf of members as a distributor of information on exports activities.

SAAMA Member Organisations:

Note: Major companies are indicated

Company Address Contact Telephone Fax Email Size Webpage
AC TRADING P.O. Box 653
PIETERMARITZBURG
3200 Mr. Duncan Walker 27 331 6-1468 27 331 6-6658
AGRION (Pty) Ltd P.O. Box 64
KROONSTAD
9500 Mr. Louwrens Visser 27 56 213-2013 27 56 213-2027
AIM HOLDINGS Ltd P.O. Box 439 KEMPTON PARK
1620 Mr. Roy Wiggill 27 11 394-3800 27 11 394-3733 aimgroup@jhb.lia.net major company
BARLOWS EQUIPMENT COMPANY (Pty) Ltd P.O. Box 781291
SANDTON
2146 Mr. Angus Graham 27 11 444-6642 27 11 444-7621 major company

CAREL VAN NIEKERK ENGINEERING WORKS P.O. Box 288
PIKETBERG
7320 Mr. Carel van Niekerk 27 261 3-2435 27 261 3-2434
DIRECT PRODUCTS & MACHINERY (Pty) Ltd. P.O. Box 136349
ALBERTON NORTH
1456 Mr. Piet Breet 27 11 869-8200 27 11 907-7180 directproducts@pixie.co.za
www.ebcis.co.za/directproducts
ERNEST H. JOHNSON (Pty) Ltd. P.O. Box 7536
JOHANNESBURG
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FALCON EQUIPMENT (Pty.) Ltd. P.O. Box 170
HOWICK
3290 Mr. Peter Skinner 27 332 30-4764 27 332 30-5114
H.M. LEERS & Co. (Pty) Ltd. P.O. Box 148
KEMPTON PARK
1620 Mr. Nick Sanders 27 11 976-3070 27 11 976-1738
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7475 Mr. Charles Rickens 27 21 534-2471 27 21 534-6839 sales@leers.co.za
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www.gcs.co.za/harvestech/
HGF ENGINEERING (Pty.) Ltd. P.O. Box 27771
YEOVILLE
2143 Mr. Peter Dormehl 27 11 835-2087
HOWARD MACHINERY (Pty) Ltd Private Bag X557
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1630 Mr. Johan Marais 27 11 391-5852 27 11 391-8368 major company
JOHN DEERE (Pty.) Ltd. P.O. Box 198
NIGEL
1490 Mr. Bert Pepler 27 11 365-1000 27 11 365-1113 rsa@deere.com major company
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KLERKSDORP
2570 Mr. Albert Coetzee 27 18 9-1355 27 18 9-1357 major company
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3200 Mr. Dave Botha 27 331 42-3846 27 331 42-7864 (fax) lely@lelysa.co.za major
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LOWVELD IMPLEMENTS & FARM EQUIPMENT P.O. Box 909
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1200 Mr. Gary Thirkettle 27 13 753-2021 27 13 752-7671

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PARYS
9585 Mr. Wynn Dedwith 27 11 455-2306 27 11 455-1529

Sales Prospects

The short-term market for agricultural machinery is depressed, based on certain macro-economic factors (mainly the current oversupply in the maize market). The extent to which farmers will heed to the call to limit new maize cultivation for the 2000 summer season will determine sales prospects for new machinery. Facing this position, farmers may well decide to switch from maize to other summer crops (e.g. sunflower, canola flower, and sorghum), that may stimulate the growth of other types of machinery outside the traditional maize equipment.

Capital expenditure for new and updated equipment is dependent on the weather pattern which over the past 3 years (El Nino) had an overall negative influence on farming activities. Should weather patterns improve and be sustained for the next two to three year period, the sales of farming equipment will soar.

Other negative influences are the land crisis in Zimbabwe and the impact this has had in South Africa. The slow progress of the South African Government in addressing its own land reform programs, has created a measure of uneasiness amongst organized agriculture in South Africa and degree of uncertainty for the future.

Agricultural machinery of American origin are already well represented in the South African market by leading international companies such as John Deere, Case, Michigan Tractor and New Holland.

Industry commentators are looking at sales for the calendar 2000 being between

20 and 25% higher than the 1999 sales. This translates to sales of between 3,100 and 3,300 units in the year 2000. Opportunities for American companies not yet represented in South Africa, will depend on setting-up distributorships with suitable South African partners.

Market Access

In order to provide protection for local manufacturing industries, Import duties (15%) are payable on items such as ploughs (HS code 84.32.10), planters (HS code 84.32.30), fertiliser distributors (HS code 84 32.40).

Tractors, balers and combine harvesters carry nil import duty.

Trade Shows

The following agricultural shows and farmer's days represent the industry.

Show: Megaweek
Focus: The major show for the wheat farming industry:
Dates: Last week of August
Venue: Bredasdorp in the Eastern Cape Province
Organisers: Mr AJ du Toit or Elmien du Plessis
Contact number: (082) 777-7357 or (082) 410-9414

NAMPO Week
Focus: The major show for the maize and general farming industry:
Dates: First week of May
Venue: Bothaville in the North West Province
Organisers: NAMPO (Mr Johan Loxton)
Contact numbers: (056) 515 2144 (056) 515-3613 (fax)

Bien Donne Farmers Day
Focus: The major show for deciduous fruit and citrus farming
Dates: First week of November
Venue: Paarl in the Western Province
Organisers: Porcia Adams
Contact numbers: (083) 626-3251

Cotton Expo
Focus: The major show for the cotton farming industry:
Dates: First week of September
Venue: Settlers in the Northern Province
Organisers: Springbok Farmers Society (Mr Dirk Daling)
Contact numbers: (014) 733-0776

References:
The South African Agricultural Machinery Association
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